President McKinley Reviews the Affairs of State.

SOME IMPORTANT RECOMMENDATIONS

Need of Currency Legislation Pointed Out - Spain Should Have a Chance-Hawaii Should Be Annexed-Other Questions.

Washington, Dec. 6. - Following is the text of President McKinley's message to

To the Senate and House of Representatives: It gives me pleasure to extend greeting to the Fifty-fifth congress assembled at the seat of government, with many of whom, senators and representatives, I have been associated in the legislatuve service. Their meeting occurs under felicitous conditions, justifying sincere congratulation and calling for our grateful acknowledg-ment to a beneficent Providence which has so signally blessed and prospered us as a nation. Peace and good will with all the nations of the earth continue unbroken. The extra session of this congress which closed during July last enacted important legislation, and while its full effect has not yet been realized, what it has already accomplished assures us of its timeliness and wisdom. To test its permanent value further time will be required, and the people, satisfied with its operation and results thus far, are in no mind to withhold from it a

CURRENCY LEGISLATION.

Congress Should Not Hesitate to Enter Upon Revision.

Tariff legislation having been settled by the extra session of congress, the question next pressing for consideration is that of the currency. The work of putting our finances upon a sound basis, difficult as it may seem, will appear easier when we recall the financial operations of the government since 1866. On the 30th day of June of that year we had outstanding demand liabilities in the sum of \$728,868,447.41. On the 1st of January, 1879, these liabilities had been reduced to \$443,889,495.88. Of our interest-bearing obligations, the figures are even more striking. On July 1, 1866, the principal of the interest-bearing debt of the government was \$2,332,331,208. On the first day of July, 1893, this sum had been the extra session of congress, the question first day of July, 1893, this sum had been reduced to \$585,037,100, or an aggregate re-duction of \$1,747,294,108. The interest-bear-ing debt of the United States on the first day of December, 1897, was \$847,365,620. The government money now outstanding (December 1) consists of \$346,681,016 of United States notes, \$107,793,280 of treasury notes assued by authority of the law of 1890, \$384,963,503 of silver certificates, and \$61,280,761

standard silver dollars. ment, and with the honorable example of time to recall its remarkable increase, or lead it into the mazes of doubtful law and the past before us, we ought not to hesi- to characterize its tenacious resistance tate to enter upon a currency revision against the enormous forces massed which will make our demand obligations against it by Spain. The revolt and the less onerous to the government, and relieve efforts to subdue it carried destruction to our financial laws from ambiguity and

No Ground for Distrust.

The brief review of what was accomplished from the close of the war to 1893 makes unreasonable and groundless any distrust either of our financial ability or soundness, while the situation from 1893 to 1897 must admonish congress of the immediate necessity of so legislating as to make the return of the conditions then prevailing impossible. There are many plans proposed as a remedy for the evil. Before we can find the true remedy we must appreciate the real evil. It is not that our currency of every kind is not good, for every dollar of it is good; good because the government's pledge is out to keep it so, and that pledge will not be broken. However, the guaranty of our purpose to keep the pledge will be best shown by advancing toward its fulfillment.

Evil of the Present System. The evil of the present system is found in the great cost to the government of maintaining the parity of our different forms of

money-that is, keeping all of them at par with gold. We surely cannot be longer edless of the burden this imposes upon the people, even under fairly prosperous conditions, while the past four years have demonstrated that it is not only an expensive charge upon the government but a dangerous menace to the national credit.

Must Provide Against Bond Issues. It is manifest that we must devise some plan to protect the government against bond issues for repeated redemptions. We must either curtail the opportunity for speculation, made easy by the multiplied jury resulting from an indefinite continredemptions of our demand obligations, or increase the gold reserve for their redemp-We have \$900,000,000 of currency which the government by solemn enactment has undertaken to keep at par with gold. Mobody is obliged to redeem in gold but the government. The banks are not required to redeem in gold. The government is obliged to keep equal with gold all its outstanding currency and coin obliga- that as a neighboring nation, with large intions, while its receipts are not required to be paid in gold. They are paid in every kind of money but gold, and the only means by which the government can with cer-tainty get gold is by borrowing. It can get it in no other way when it most needs it. The government without any fixed gold revenue is pledged to maintain gold re demption, which it has steadily and faithfully done, and which under the authori-

The law which requires the government after having redeemed its United States notes to pay them out again as current funds demands a constant replenishment funds demands a constant replenishment be speedily provided and permanent peace of the gold reserve. This is especially so restored. It so chanced that the considerin times of business panic, and when the ation of this offer, addressed to the same revenues are insufficient to meet the ex- Spanish administration which had declined penses of the government. At such times the government has no other way to sup- for more than two years had poured men ply its deficit and maintain redemption but and treasure into Cuba in the fruitiess ef-through the increase of its bonded debt, as fort to suprpess the revol: fell to others. during the administration of my predecessor, when \$262,315,400 of 41/2 per cent. bonds were issued and sold, and the proceeds used to pay the expenses of the government in 23d day of October. It is in the direction of excess of the revenues and sustain the a better understanding. It appreciates the gold reserve. While it is true that the friendly purposes of this government. It greater part of the proceeds of these bonus admits that our country is deeply affected was used to supply dencient revenues, a by the war in Cuba, and that its desires considerable portion was required to main- for peace are just. It deciares that the tain the gold reserve.

ty now given it will continue to do.

there would be no dencit requiring the is-suance of bonds. But if the gold reserve fells below \$100,000, how well it has been stated and pacify Cuba within a reasonable time. falls below \$100,000,000 how will it be refalls below \$100,000,000 how will it be re-plenished except by selling more bonds? Is there any other way practicable under vocated by the present premier without existing law? The serious question then is: halting for any consideration in the path Shall we continue the policy that has been which in its judgment leads to peace. The pursued in the past-that is, when the gold | military operations it is said will continue reserve reaches the point of danger issue but will be humane and conducted with all more bonds and supply the needed gold, or | regard for private rights, being accom shall we provide other means to prevent | panied by political action leading to the these recurring drains upon the gold re- autonomy of Cuba while guarding Spanish serve? If no further legislation is had and | sovereignty. This, it is claimed, will result the policy of selling bonds is to be contin- in investing Cuba with a distinct personued, then congress should give the secre- ality; the island to be governed by an extary of the treasury authority to sell bonds | ecutive and by a local council or chamber, | accompanied by the assumption of internaat long or short periods, bearing a less rate | reserving to Spain the control of the for-

An Obvious Duty. receipts of the government are quite sut- ing the Spanish cortes, with the aid of ficient to pay all the expenses of the gov- Cuban senators and deputies, to solve the ernment that when any of the United economic problem and properly distribute States notes are presented for redemption the existing debt. In the absence of a in gold and are redeemed in gold such notes | declaration of the measure that this govshall be kept and set apart and only paid ernment proposes to take in carrying out out in exchange for gold. This is an ob-States note prefers the gold and gets it operations and grant political reforms, from the government he should not receive while the United States, for its part, shall back from the government a United States | enforce its neutral obligations and cut off note without paying gold in exchange for the assistance which it is asserted the init. The reason for this is made all the surgents receive from this country. The more apparent when the government issues an interest-bearing debt to provide gold the war is denied. It is asserted that the for the redemption of United States notes- | western provinces are already well-nigh reshould not pay them out again except on oacco therein has been resumed, and that demand and for gold. If they are put out by force of arms and new and ample rein any other way they may return again, to | forms very early and complete pacification be followed by another bond issue to re- is hoped for. deem them-another interest-bearing debt to redeem a noninterest-bearing debt.

lineu a plan in great detail for the purpose of removing the threatened recurrence of any change of attitude on the part of the depleted gold reserve and saving us from United States. Discussion of the question

future embarrassment on that account. To of the international duties and responsibil-this plan I invite your careful considera- ities of the United States, as Spain undertion. I concur with the secretary of the stands them, is presented, with an appartreasury in his recommendation that pational banks be allowed to issue notes to this regard. This charge is without any the face value of the bonds which they basis in fact. It could not have been made have deposited for circulation, and that the if Spain had been cognizant of the contax on circulating notes secured by deposit | stant efforts this government has made, at of such bonds be reduced to one-nalf of one | the cost of millions and by the employment

tional banks be required to redeem their

THE CUBAN QUESTION.

The Time Not Ripe for Intervention on Our Part.

notes in gold.

The most important problem with which this government is now called upon to deal pertaining to its foreign relations concerns its duty toward Spain and the Cuban insurrection. Problems and conditions more or less in common with those now existing have confronted this government at various times in the past. The story of Cuba for many yours has been one of unrest, growing discontent; an effort toward a larger enjoyment of liberty and self-control; of organized resistance to the mother Cuba or the policy of Spain toward Cuba not caused concern to the United States.

The prospect from time to time that the weakness of Spain's hold upon the island and the political vicissitudes and embarrassments of the home government might

The cruel policy of concentration was initiated February 16, 1896. The productive districts controlled by the Spanish armies were depopulated. The agricultural inhabitants were herded in and about the gar-

Against this abuse of the rights of war have felt constrained on repeated occasions to enter the firm and earnest protest of this government. There was much of public condemnation of the treatment of American citizens by alleged illegal arrests and long imprisonment awaiting trial or pending protracted judicial proceedings. I felt it my first duty to make instant de-mand for the release or speedy trial of all change of the Spanish cabinet in October last 22 prisoners, citizens of the United States, had been given their freedom. For the relief of our own citizens suffering because of the conflict the aid of congress was sought in a special message, and under the appropriation of April 4, 1897, effective aid has been given to American citizens in Cuba, many of them at their own request having been returned to the United States. The Present Insurrection.

insurrection broke out every quarter of the island, developing wide proportions and defying the efforts of Spain for its suppression. The civilized code of war has been disregarded, no less so by the Spaniards than by the Cubans. The existing conditions cannot but fill this government and the American people with the gravest apprehension. There is

no desire on the part of our people to profit by the misfortunes of Spain. We have only the desire to see the Cubans prosperous and contented, enjoying that measure of self control which is the inalienable right of man, protected in their right to reap the benefit of the exhaustless treasures of their country. The offer made by my redecessor in April, 1896, tendering the friendly offices of this government failed. Any mediation on our part was not accepted. In brief, the

actual submission of the rebels to the mother country." Then only could Lpain act in the premised direction of her own motion and after her own plans.

answer read: "There is no effectual way

to pacify Cuba unless it begins with the

Minister Woodford's Instructions. The instructions given to our new minister to Spain before his departure for his post directed him to impress upon that government the sincere wish of the United States to lend its aid toward the ending of the war in Cuba by reaching a peaceful and lasting result, just and honorable alike to Spain and to the Cuban people. Those instructions recited the character and duration of the contest, the widespread losses it entails, the burdens and restraints it imposes upon us, with constant disturbance of national interests and the inuance of this state of things. It was stated that at this juncture our government was land; the insurrection has not possessed constrained to seriously inquire if the time litself of a single seaport whence it may was not ripe when Spain of her own volition, moved by her own interests and every sentiment of humanity, should put a stop to this destructive war and make proterests in Cuba, we could be required to wait only a reasonable time for the mother country to establish its authority and restore order within the borders of the island; that we could not contemplate an indefinite period for the accomplishment of and

No Humiliation Suggested.

No solution was proposed to which the slightest idea of humiliation to Spain could attach, and indeed precise proposals were withheld to avoid embarrassment to that government. All that was asked or expected was that some safe way might the tenders of my predecessor, and which

Spain Promises Much. The reply to our note was received on the

present Spanish government is bound by With our revenues equal to our expenses | every consideration to a change of policy judicial administration. To accomplish this the present government proposes to I earnestly recommend as soon as the modify existing legislation by decree, leavsupposition of an indefinite prolongation of noninterest-bearing debt. Surely it claimed; that the planting of cane and to-

Have Not Failed in Our Duty.

The immediate amelioration of existing

Of the untried measures there remain only: Recognition of the insurgents as beligerents; recognition of the independence of Cuba, neutral intervention to end the war by imposing a rational compromise between the contestants, and intervention in favor of one or the other party. I speak not of forcible annexation, for that can-not be thought of. That by our code of morality would be criminal aggression.

Recognition of Insurgents.

Recognition of the belligerency of the Cuban insurgents has often been canvassed as a possible if not inevitable step both in regard to the previous ten years' struggle, and during the present war. I am not unmindful that the two houses of congress in the spring of 1896 expressed the opinion by concurrent resolution that a condition of public war existed, requiring or justifying the recognition of the state of weakness of Spain's hold upon the island and the political vicissitudes and embarassments of the home government might lead to the transfer of Cuba to a continental power called forth, between 1823 and tall power called forth, chall power called forth call and to create a virtual entity and self-controlled forth clusters to be and tall power called forth. The cube tall power called forth, call power called forth. The call power called forth call sequences of the struggle upon the internal

policy of the recognizing state. Quotes President Grant.

The utterances of President Grant in his memorable message of December 7, 1875, itants were herded in and about the garrison towns, their lands laid waste and their dwellings destroyed. This policy the late cabinet of Spain justified as a necessary measure of war and as a means of cutting off suplies from the insurgents. It has utterly failed as a war measure. It was not civilized warfare. It was extermination. condemnation from the nations of chris-tendom continued unabated. Desolation and ruin pervaded that productive region, enormously affecting the commerce of all commercial nations, but that of the United States more than any other by reason of proximity and larger trade and intercourse. At that juncture Grant uttered these words, which now as then sum up the elefelt it my first duty to make instant demand for the release or speedy trial of all American citizens under arrest. Before the opinion, impracticable and indefensible, the n lits past histor With the great resources of the govern- February, 1895. It is not my purpose at this carefully avoid the false lights which might of questionable propriety and adhere rigidly and sternly to the rule which has been its guide of doing only that which is right and honest and of good report. The question of according or of withholding rights of belligerency must be judged in every case, in view of the particular attending facts. Unless justified by necessity it is always and justly regarded as an unfriendly act and a gratuitous demonstra-tion of moral support to the rebellion. It is necessary, and it is required, when the interests and rights of another government or of its people are so far affected by a pending civil conflict as to require a definition of its relations to the parties thereto. But this conflict must be one which is recognized in the sense of in-

ternational law as war. Recognition Not Justified.

"Belligerence, too, is a fact. The mere existence of contending armed bodies and their occasional conflicts do not constitute war in the sense referred to. Applying to the existing condition of affairs in Cuba the tests recognized by publicists and writers on international law, and which have been observed by nations of dignity, honesty and power, when free from sensitive or selfish and unworthy motives, I fail to find in the insurrection the existence of such a substantial political organization, real, palpable and manifest to the world, having the forms and capable of the ordinary functions of government toward its own people and to other states, with courts for the administration of justice, with a local habitation, possessing tice, with a local habitation, possessing such organization of force, such material, such occupation of territory as to take the contest out of the category of a mere re-bellious insurrection or occasional skirmishes, and place it on the terrible foot-ing of war, to which a recognition of bel-

ligerency would aim to elevate it.
"The contest, moreover, is solely on Dignity and Honor Require Confirmsend forth its flag, nor has it any means of communication with foreign powers except through the military lines of its adversaries. No apprehension of any of those sudden and difficult complications which war upon the ocean is apt to precipitate upon the vessels, both commercial and national, and upon consular officers of other powers, calls for the definition of their relations to the parties to the contest. Considered as a question of expediency, I regard the accordance of belligerent rights still to be as unwise and premature, as I regard it to be, at present, indefensible as a measure of right.

"Such recognition entails upon the country according the rights which flow from it difficult and complicated duties, and requires the exaction from the contending parties of the strict observance of their rights and obligations. It confers the right of search upon the high seas by vessels of both parties; it would subject the carrying of arms and munitions of war, which now may be transported freely and without interruption, in vessels of the United States to detention and to possible selzure; it would give rise to countless vexatious questions, would release the parent government from responsibility for acts done by the insurgents, and would invest Spain with the right to exercise the supervision recognized by our treaty of 1795 over our commerce on the seas, a very large part of which, in its traffic between the Atlantic and the gulf states and between all of them and the states on the Pacific, passes through the waters which wash the shores of Cuba The exercise of this supervision could scarce fail to lead, if not to abuses, certainly to collisions perllous to the peaceful relations of the two states. There can be little doubt as to what result such supervision would before long draw this nation. It would be unworthy of the United States to inaugurate the possibilities of such result, by measures of questionable right or expediency, or by any indirection.

What Recognition Would Mean, egnition of belligerency and reviewing its ulation if need be of the labor system inconveniences and positive dangers, still further pertinent considerations appear. In the code of nations there is no such thing as a naked recognition of belligerency untional neutrality. Such recognition will of interest than is now authorized by law. eign relations, the army and navy and the not confer upon either party to a domestic conflict a status not heretofore actually possessed or effect the relation of either party to other states. The act of recognition usually takes the form of a solemn proclamation of neutrality which recites the de facto condition of belligerency as its motive. It announces a domestic law of neutrality in declaring state. It assumes the international obligations of a neutral in the presence of a public state of war. It warns all citizens and others within the jurisliction of the proclaimant that they violate those righteous obligations at their own peril and cannot expect to be shielded from the consequences. The right of visit and search on the seas and seizure of vessels and cargoes and contraband of war and good prize under admiralty law must under international law be admitted as a legitimate consequence of a preclamation of belligerency. While according the equal belligerent rights defined by public law to each party in our ports disfavors would be imposed on both, which while nominally equal would weigh heavily in behalf of Indorses Secretary Gage's Plan.

The immediate amelioration of existing conditions under the new administration trolling the ports of Cuba her maritime of Cuban affairs is predicted, and therewith rights could be asserted not only for the military investment of the island but up to the margin of our own territorial waters. and a condition of things would exist for which the Cubans within their own domain could not hope to create a parallel; while its creation through aid or sympathy from within our domain would be even more impossible than now, with the additional obligations of international neutrality we would perforce assume.

Regarded, at Present, as Unwise.

HIS ANNUAL MESSAGE stricted to the denomination of ten dollars and upwards. If the suggestions I have herein made shall have the approval of congress, then I would recommend that national code of war. For the Untried Measures.

The Untried Measures. these reasons I regard the recognition of the belligerency of the Cuban insurgents as now unwise, and therefore inadmissable. Should that step hereafter be deemed wise as a measure of right and duty, the executive will take it.

Intervention.

has been frequently suggested, and has not failed to receive my most anxious and earnest consideration. But should such a step be now taken, when it is apparent that a hopeful change has supervened in the policy of Spain toward Cuba? A new government has taken office in the mother country. It is pledged in advance to the declaration that all the efforts of the world cannot suffice to maintain peace in Cuba by the bayonet; that vague promises of re-form after subjugation afford no solution of the insular problem; that with a sub-stitution of commanders must come a change of the past system of warfare for country; of depression after distress and warfare and of ineffectual settlement to be followed by renewed revolt. For no enduring period since the enfranchisement of the continental possessions of Spain in the western continent has the condition of like import, which, however, was not brought to a vote in the house of representation that a condition of public war existed, requiring stitution of commanders must come a change of the past system of warfare for one in harmony with a new policy which that with a sub-science of the insular problem; that with a sub-science of the past system of condition of public war existed, requiring of the insular problem; that with a sub-science of the past system of condition of public war existed, requiring of the past system of the "horrible alternative of taking to the thicket or succumbing in misery;" that resentatives. In the presence of these significant expressions of the sentiment of the legislative branch, it behooves the executive to soberly consider the conditions unsigned to give full autonomy to the colony

new military commander a broad clemency is proffered. Measures have already been set on Toot to relieve the horrors of starvation. The power of the Spanish armies, it is asserted, is to be used not to spread ruin and desolation, but to protect the resump-tion of peaceful agricultural pursuits and productive industries. That past methods are fulle to force a peace by subjugation is freely admitted, and that ruin without conciliation must inevitably fail to win for Spain the fidelity of a contented depend-ency. Decrees in application of the fore-shadowed reforms have already been promulgated

Should Give Spain a Chance. That the government of Sagasta has entered upon a course from which recession clusion that the conflict in Cuba, dreadful and devastating as were its incidents, did not rise to the fearful dignity of war • • • "It is possible that the acts of foreign powers, and even acts of Spain herself, of this very nature might be pointed to in defense of such recognition. But now, as in its past history, the United States should its past history, the United States history is past history. The United States history is past history in the Indiana who desire to resume the cultivation of the Spanish government that the conditions under which are included to commander whose brutal orders inflamed the civilized world. She has modified the horrible order of concentration, and has undertaken to carry the United States in the Termited Whose brutal orders inflamed the civilized world. She has modified the horrible order of concentration, and has undertaken to carry the civilized world. She has modified the horrible filized world. She has modified the horrible order of concentration, and has undertaken to carry the civilized world. She has modified the horrible order of concentration, and has undertaken to carry the civilized world. She has modified the horrible order of concentration and shocked the civilized world. She has modified the horrible order of concentration and shocked the civilized world. She has modified the horrible order of concentration and shocked the civilized world. She has modified the horrible order of concentration and shocked the civilize the protection of the Spanish government in their lawful occupations. She has just released the "Competitor" prisoners here-tofore sentenced to death, and who have been the subject of repeated diplomatic correspondence during both this and the

preceding administration.

Will Not Hesitate to Act. Not a single American citizen is now in arrest or confinement in Cuba of whom this government has any knowledge. The future will demonstrate whether near the indispensable condition of a righteous peace, just alike to the Cubans and to Spain, as well as equitable to all our interests so intimately involved in the welfare of Cuba, is likely to be attained. If not, the exigency of further and other action by the United States will remain to be taken. When that time comes that action will be determined in the line of indisputable right and duty. It will be faced without misgiving or hesitancy in the light of the obligation this government owes to itself, to the people who have confided to it the protection of their interests and honor and to humanity. Sure of the right, keeping free from all offense ourselves, actuated only by upright and patriotic considerations, moved neither by passion nor selfishness, the government will continue its watchful care over the rights and property of American citizens and will abate none of its efforts to bring about by peaceful agencies a peace which shall be honorable and enduring. If it shall hereafter appear to be a duty imposed by our obligations to ourselves, to civilization and humanity to intervene with force, it shall be without fault on our part and only bebe without fault on our part and only be-cause the necessity for such action will be so clear as to command the support and approval of the civilized world.

ANNEXATION OF HAWAII.

ation of the Treaty. a special message dated the 16th day of June last, I laid before the senate a treaty signed that day by the plenipo-taries of the United States and of the republic of Hawaii having for its purpose the incorporation of the Hawaiian islands as an integral part of the United States and under its sovereignty. The senate having removed the injunction of secrecy, although the treaty is still pending before that body, the subject may be properly referred to in this message because the necessary action of the congress is required to determine by legislation many details of the eventual union should the fact of annexation be ac-

complished, as I believe it shoud be.
While consistently disavowing from very early period any aggressive policy of absorption in regard to the Hawaiian group, a long series of deciarations through three-quarters of a century has proclaimed the vital interest of the United States in the independent life of the islands and their intimate commercial dependence upon this country. At the same time it has been repeatedly asserted that in no event could the entity of Hawaiian statehood cease by the passage of the islands under the domination or influence of another power than the United States. Under these circumstances the logic of events required that annexation, heretofore offered but declined, should in the ripeness of time come about as the natural result of the strengthening ties that bind us to those islands, and be realized by the free will of the Hawilan state.

That treaty was unanimously ratified without amendment by the senate and president of the republic of Frawaii on the 10th of September last, and only awaits the favorable action of the American senate to effect the complete absorption of the islands into the domain of the United States. What the conditions of such a union shall be, the political relation thereof to the United States, the character of the local administration, the quality and degree of the elective franchise of the inhabitants. the extension of the federal laws to the therein, are all matters which the treaty has wisely relegated to the congress.

Should Be Confirmed.

If the treaty is confirmed, as every consideration of dignity and honor requires, the wisdom of congress will see to it that, avoiding abrupt assimilation of elements perhaps hardly yet fitted to share in the nighest franchises of citizenship, and having due regard to the geographical conditions, the most just provisions for self-rule in local matters with the largest political liberties as an integral part of our nation, will be accorded to the Hawaiians. No less is due to a people who, after nearly five years of demonstrated capacity to fulfill the obligations of self-governing statenood, come of their own free will to merge their destinies in our body politic.

CENTRAL AMERICAN REPUBLICS. Our Diplomatic Relations with Them -Nicaraguan Canal.

As to the representation of this govern-

ment to Nicaragua, Salvador and Costa Rica, I have concluded that Mr. William L. Merrick, confirmed as minister of the United States to the states of Nicaragua, Salvador and Costa Rica shall proceed to San Jose, Costa Rica, and there temporarily establish the headquarters of the United States to those three states. I took this action for what I regarded as the paramount interests of this country. It was developed upon an investigation by the secretary of state that the government of Nicaragua, while not unwilling to receive Mr. Merrick in his diplomatic quality, was unable to do so because of the com pact concluded June 20, 1895, whereby that republic and those of Salvador and Honduras, forming what is known as the greater republic of Central America, had surrendered to the representative diet there of such bonds be reduced to one-nair of one per cent. Per annum. I also join him in of the administrative machinery of the nation. That it has successfully prevenced the establishment of national banks with a minimum capital of \$25,000. This will enabled the smaller villages and agricultural violation of our laws would seem to be a sufficient answer. But of this aspect of the government, it should the representative deleting parties. The enforcement of this enlarged and only be erous code of neutrality would only be departure of a single military expendence of the government, it should their right the representative deleting parties. The enforcement of this enlarged and only be erous code of neutrality would only be departure of a single military expendence of the government. It should their right the expenses of the government, it should their right the referement of this enlarged and only be erous code of neutrality would only be effective and sea, and applicable by our own into the present condition of an entry increase. These expenses of the government, it should their right the referement of the revive and send diplomate.

The enforcement of this enlarged and only be erous code of neutrality would only be decrease in many branches of the government of the revive and send diplomated to prove their increase. These expenses of the government of the revive and send diplomated to prove the provence of the government of the revive and send diplomated to prove the enforcement of the revive and only be erous code of neutrality would only be erous code of neutrality would only be effective and sea, and applicable by our own that body because the was not accredited to the provence of the government of the revive and only increases of the government of the revive and only increases. The enforcement of the revive and only increase of the government of the revive and only increases. The enforcement of the provence of the government of the conviction of the provence of the government of the conviction of the conviction

The Nicaraguan Canal,

approved March 2, 1895," in regard to "the congress the report of this commission, making at the same time such further suggestions as may then seem advisable.

ALASKA.

The territory of Alaska requires the prompt and early attention of congress. The conditions now existing demand material changes in the laws relating to the territory. The great influx of population during the past summer and fall and the prospect of a still larger immigration in the spring will not permit us to longer neglect the extension of civil authority muching the territory or postpone the exwithin the territory or postpone the es-tablishment of a more thorough government. A general system of public surveys has not been extended to Alaska and all entries thus far made in that district are upon special surveys. The act of congress extending to Alaska the mining laws of the United States contained the reservation that it should not be construed to put in force the general land laws of the country. By act approved March 3, 1891, authority was given for entry of lands for town site purposes and also for the purchase of not exceeding 160 acres then or thereafter

Relief Is Needed. The startling though possibly exaggerated reports from the Yukon river counwith honor is impossible can hardly be questioned; that in the few weeks it has existed it has made earnest of the sincerity of its professions is undeniable. I shall not impugn its sincerity, nor should impatience be suffered to embarroes it in the tests it.

apparent that the conditions under which the five civilized tribes were established in the Indian territory under treaty provisions with the United States, with the right of self-government and the exclusion of all white persons from within their borders, have undergone so complete a change as to render the continuance of the system thus inaugurated practically impossible. The total number of the five civilized tribes, as shown by the last census, is 45,494, and this number has not materially increased, while the white population is estimated at from 200,000 to 250,000, which, by permission of the Indian government, has settled in the territory. The present area of the Indian territory contains 25,-694,564 acres, much of which is very fer-tile land. The United States citizens residing in the territory, most of whom have gone there by invitation or with the consent of the tribal authorities, have made permanent homes for themselves. Numerous towns have been built in which from 500 to 5,000 white people now reside. Valuable residences and business houses have been erected in many of them. Large business enterprises are carried on in which vast sums of money are employed, and yet these people, who have invested their capital in the development of the productive resources of the ment of the productive resources of the country, are without title to the land they occupy and have no voice whatever in the government either of the nations or tribes.

Thousands of their children who were born against them and what education they get is by private contribution. No provision for the protection of the life or property of these white citizens is made by the tribal governments and courts.

An Indian Aristocracy. The secretary of the interior reports that leading Indians have absorbed great tracts of land to the exclusion of the common peo-ple and government by an Indian aristocracy has been practically established, to the detriment of the people. It has been found impossible for the United States to

keep its citizens out of the territory and the executory conditions contained in treaties with these nations have for the most part become impossible of execution. Nor has it been possible for the tribal governments to secure to each individual Indian his full enjoyment in common with other Indians of the common property of the nations. Friends of the Indians have long believed that the best interests of the Indians of the five civilized tribes would be found in American citizenship, with all the rights and privileges which belong to be found in American citizenship, with all the rights and privileges which belong to

that condition. The Dawes Commission.

By section 16 of the act of March 3, 1893. the president was authorized to appoint three commissioners to enter into negotiations with the Cherokee, Choctaw, Chickasaw, Muskogee (or Creek) and Seminole na- as a bidder and to bid at the sale a sum tions, commonly known as the Five Civilized Tribes in the Indian territory, Briefly, the purposes of the negotiations were to be: The extinguishment of tribal titles amendment of the law be immediately to any lands within that territory now held by any and all such nations or tribes, either by cession of the same or some part thereof to the United States or by allotment and division of the same in severalty among the Indians of such nations or tribes respectively as may be entitled to the same, or by such other method as may be agreed upon between the several nations and tribes aforesaid, or each of them with the United States, with a view to such an adjustment upon the basis of justice and equity as may, with the con-sent of the said nations of Indians, so far as may be necessary, be requisite and suitable to enable the ultimate creation of a state or states of the union, which shall embrace the lands within said Indian ter-

The commission met much opposition from the beginning. The Indians were very slow to act, and those in control manifested a decided disinclination to meet Turning to the practical aspects of a recthis organization the commission effected an agreement with the Choctaw nation alone. The Chickasaws, however, refused a common interest with the Choctaws in the lands of said nations, the agreement with the latter nation could have no effeet without the consent of the former. On April 23, 1897, the commission effected an agreement with both tribes-the Choetaws and Chickasaws. This agreement, it is understood, has been ratified by the constituted authorities of the respective tribes or nations parties thereto, and only requires ratification by congress to make binding. On the 27th of September, 1991. an agreement was effected with the Creek nation, but it is understood that the na-tional council of said nation has refused to ratify the same. Negotiations are yet to be had with the Cherokees, the most populous of the Five Civilized tribes, and with the Seminoles, the smallest in point of numbers and territory.

RECIPROCITY.

Steps Taken to Improve Trade Relations

With Other Countries. In order to execute as early as possible the provisions of the third and fourth sections of the revenue act approved July 24, 1897, I appointed Hon. John A. Kasson, of Iowa, a special commissioner pleni-potentiary to undertake the requisite negotiations with foreign countries desiring to avail themselves of these provisions. The negotiations are now proceeding with several governments, both European and American. It is believed that by a careful exercise of the powers conferred by that act some grievances of our own and of other countries in our mutual trade relations may be either removed or largely alleviated, and that the volume of our commercial exchanges may be enlarged, with advantage to both contracting parties.

first class, two of the second and 48 other A subject of large importance to our vessels, ranging from armored cruisers to country and increasing appreciation on the part of the people is the completion of the great highway of trade between the Atlantic and Pacific known as the Nica-raguan canal. Its utility and value to American commerce is universally admitted. The commission appointed under date of July 24 last "to continue the surveys and examinations authorized by the act Intervention upon humanitarian grounds and examinations authorized by the act then the ships are of no fighting value. The present naval force, especially in view of its increase by the ships now under conproper route, feasibility and cost of con-struction of the Nicaragua canal, with a struction, while not as large as that of a view of making complete plans for the en-tre work of construction of such canal," its vessels are the very best of each type; is now employed in the undertaking. In the future I shall take occasion to transmit to it from time to time in the future, and careful attention to keeping it in a high state of efficiency and repair, it is well adapted to the necessities of the country.

The great increase of the navy which has taken place in recent years was justified by the requirements for national defense and

Material Changes in Territorial Laws

Are Necessary.

The territory of Alaska requires the prompt and early attention of congress. The conditions now existing demand material changes in the laws relating to the requirements for national defense and has received public approbation. The time has now arrived, however, when this increase, to which the country is committed should, for a time, take the form of increase of our naval vessels. It is an unrice of our naval vessels. It is an unrice of the conditions of the laws relating to the laws relating fortunate fact that there is only one dock on the Pacific coast capable of docking our largest ships, and only one on the Atlantic coast, and that the latter has for the last six or seven months been under repair and therefore incapable of use. Immediate steps should be taken to provide three or four docks of this capacity on the Atlantic coast, at least one on the Pacific coast and a floating dock on the gulf. This is the recommendation of a very competent board, appointed to investigate the subject. There should also be ample provision made for powder and projectiles, and other munitions of war and for an increased number of officers and enlisted men. Some was given for entry of lands for town site purposes and also for the purchase of not exceeding 160 acres then or thereafter occupied for purposes of trade and manufacture. The purposes of congress as thus far expressed has been that only such rights should apply to that territory as should be specificallly named.

As it is to the interest of the government to encourage the settlement of the country and its duty to follow up its citizens with the benefit of legal machinery, I earnestly urge upon congress the establishment of a system of government with additions are also necessary to our navy lishment of a system of government with and also that several torpedo boats be such flexibility as will enable it to adjust authorized in connection with our genitself to the future areas of greatest poperal system of coast defense.

OUR MERCHANT MARINE.

Its Inferiority a Humiliation to National Pride.

Most desirable from every standpoint of national interest and patriotism is the effort to extend our foreign commerce. this end our merchant marine should be improved and enlarged. We should do our full share of the carrying trade of the world. We do not do it now. We should be the lagger no longer. The inferiority of our merchant marine is justly humiliat-ing to the national pride. The government by every proper constitutional means should aid in making our ships familiar visitors at every commercial port of the world, thus opening up new and valuable markets to the surplus products of the farm and the factory.

THE PACIFIC RAILWAYS.

Should Government Become a Bidder for the Kansas Pacific?

The Union Pacific railway, main line was sold under the decree of the United States court for the district of Nebraska on the 1st and 2d of November of this year. The amount due the government consisted of the principal of the subsidy bonds, \$27,-236,512, and the accrued interest thereon, \$31,211,711.75, making the total indebtedness \$58,448,223.75. The bid at the sale covered the first mortgage lien and the entire mortgage claim of the government, principal and interest.

The sale of the subsidized portion of the Kansas Pacific line, upon which the government holds a second mortgage hen, has been postponed at the instance of the government to December 16, 1897. The debt of this division of the Union Pacific railway to the government on November 1, 1897, was the principal of the subsidy bonds, \$6,303,000, and the unpaid and accrued interest thereon, \$6,626,690.33, making a total of \$12,929,690.33. The sale of this road was originally advertised for November 4, but for the purpose of securing the utmost public notice of the event it was postponed until December 16 and a second advertisement of the sale was made. By the decree of the court the upset price on the sale of the Kansas Pacific will yield to the government the sum of \$2,500,000 over all prior liens, costs and charges. If no in the territory are of school age, but the other or better bid is made this sum is doors of the schools of the nation's are shut all that the government will receive on its claim of nearly \$13,000,000. The government has no information as to whether there will be other bidders or a better bid than the minimum amount herein stated. The question presented therefore is whether the government shall under the authority given it by the act of March 3, 1887, purchase or redeem the road in the event that a bid is not made by private parties covering the entire government claim.

To qualify the government to bid at the

sales will require a deposit of \$900,000, as follows: In the government cause \$500,000, and in each of the first mortgage causes \$200,000, and in the latter the deposit must be in cash. Payment at the sale is as est bidder, will have to pay the amount of the first mortgage lien. I believe that under the act of 1887 it has the authority to do this, and in absence of any action by congress, I shall direct the secretary of the treasury to make the necessary deposit as required by the court's decree to qualify which will at least equal the principal of the debt due the government; but suggest, in order to remove all controversy, that an passed explicitly giving such powers and appropriating in general terms whatever sum is sufficient therefor.

In so important a matter as the government becoming the possible owner of railroad property which it perforce must conduct and operate, I feel constrained to lay before congress those facts for its consideration and action before the con-summation of the sale. It is clear to my mind that the government should not permit the property to be sold at a price which will yield less than one-half of the principal of its debt, and less than one-fifth of its entire debt, principal and interest. But whether the government, rather than accept less than its claim, should become a bidder, and thereby the owner of the property, I submit to the congress for action.

CIVIL SERVICE.

Distinct Advance Made in Operation of the Law.

The important branch of our government known as the civil service, the practical improvement of which has long been a subject of earnest discussion, has of late years to agree to us terms, and as they have received increased legislative and executive approval. During the past few months the service has been placed upon a still firmer basis of business methods and personal merit. While the right of our veteran soldiers to reinstatement in deserving cases has been asserted, dismissals for merely political reasons have been carefully guarded against, the examinations for admittance to the service enlarged and at the same time rendered less technical and more practical; and a distinct advance has been made by giving a hearing before dismissal upon all cases where incompetency is charged or demand made for the removal of officials in any of the departments. This order has been made to give to the accused his right to be heard. but without in any way impairing the power of removal, which should always be exercised in cases of inefficiency and incompetency, and which is one of the vital safeguards of the civil service reform system, preventing stagnation and deadwood and keeping every employe keenly alive to the fact that the security of his tenure depends not on favor, but on his own test-ed and carefully watched record of service.

GOVERNMENT EXPENSES.

Appropriations Must Be Kept Within the Receipts.

I am forced by the length of this message to omit many important references to affairs of the government with which congress will have to deal at the present session. They are fully discussed in the departmental reports, to all of which I invite your earnest attention. The estimates of the expenses of the government by the several departments will, I am sure, have your careful scrutiny. While the congress may not find it ar easy task to reduce the expenses of the government, it should